

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 AGR-05 /094 W  
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R 190713Z JUL 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 8546

INFO AMCONSUL MELBOURNE

USMISSION OECD PARIS

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMCONSUL BRISBANE

AMCONSUL PERTH

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E.O. 11652: N/A

TAGS: EGEN, ECON, AS

SUBJECT: CPI FOR JUNE QUARTER UP 2.5 PERCENT - LESS THAN EXPECTED

REF: CANBERR 2982

1. ON JULY 16 THE AUSTRALIAN BUREAU OF STATISTICS (ABS) ISSUED JUNE QUARTER 1976 CONSUMER PRICE INDEX (CPI). ALL GROUPS CPI FOR WEIGHTED AVERAGE OF SIX STATE CAPITALS (CANBERRA EXCLUDED) ROSE 2.5 PERCENT, AS AGAINST A RISE OF 3 PERCENT FOR MARCH QUARTER. CPI FOR CANBERRA ROSE 3.2 PERCENT AS AGAINST A RISE OF 2.9 PERCENT IN MARCH QUARTER. CPI WAS 12.3 PERCENT ABOVE JUNE QUARTER 1975 (CANBERRA 14.1 PERCENT) AS AGAINST 13.4 PERCENT NATIONAL ANNUAL RATE IN MARCH AND 14.0 PERCENT IN DECEMBER 1975.

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2. THAT RISE IN CPI WAS LESS SHARP THAN MANY HAD

EXPECTED IS ATTRIBUTABLE LARGELY TO SMALL RISE OF 0.5 PERCENT IN FOOD PRICES DURING QUARTER AS AGAINST 5PCT. RISE IN MARCH QUARTER. THIS DUE TO 21.7 PERCENT FALL IN PRICE OF POTATOES, 2.4 PCT. FALL IN PRICE OF ONIONS AND 0.8 PCT. FALL IN PRICE OF LAMB. THAT MOST OTHER CATEGORIES EXPERIENCED RISES IS BORNE OUT BY FOLLOWING COMPARISONS (WITH MARCH QUARTER INCREASES IN PARENTHESIS): CLOTHING AND SOFT-GOODS, 5.8 PCT. (1.3 PCT); HOUSING, 4.1 PCT. (2.8 PCT); HOUSEHOLD SUPPLIES 2.5 PCT. (2.2 PCT); AND MISCELLANEOUS, 2.2. PCT. (2.5 PCT). EXCLUDING THE FOOD GROUP, THE INDEX ROSE BY 3.3 PCT., COMPARED WITH 2.3 PCT. IN THE PREVIOUS QUARTER.

3. IT SHOULD BE NOTED THAT JUNE QUARTER OFTEN SHOWS A RELATIVELY LARGE INCREASE DUE TO SEASONAL FACTORS (SPECIFICALLY WINTER CLOTHING PURCHASES AND MUNICIPAL TAX PAYMENTS). IN MOST RECENT QUARTER, COST OF WINTER CLOTHING AND BLANKETS ROSE BY 19.8 PCT. AND LOCAL GOVERNMENT TAXES AND CHARGES ROSE BY 9 PCT.

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4. COMMENT: THAT COMMENT ON LATEST CPI FIGURES HAS BEEN SUBDUED IS DUE POSSIBLY TO REALIZATION THAT WERE IT NOT FOR SHARP POSSIBLY TEMPORARY DROP IN HIGHLY VOLATILE FOOD PRICE INDEX, THE CPI WOULD HAVE REGISTERED SHARPER INCREASE THAN IN MARCH QUARTER. THE TREASURER, LYNCH, DESCRIBED THE FIGURES AS "ENCOURAGING" BUT WARNED THAT THERE WAS NO ROOM FOR COMPLACENCY. ACTUALLY THE MOST RECENT CPI FIGURES SHOW LITTLE EVIDENCE THAT THE GOVERNMENT'S BATTLE AGAINST INFLATION IS SUCCEEDING SIGNIFICANTLY AS OF YET.

4. NEVERTHELESS ANY DECREASE IN RATE OF GROWTH OF CPI, FOR WHATEVER REASONS, IS CERTAINLY WELCOMED BY GOVERNMENT BECAUSE OF IMPORTANCE QUARTERLY FIGURES HAVE ASSUMED IN FOLLOW-ON WAGE INDEXATION HEARINGS OF THE CONCILIATION AND ARBITRATION COMMISSION AND ANY WIND-DOWN IN THE RATE OF WAGE INCREASES CAN CERTAINLY LIMITED OFFICIAL USE

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BE EXPECTED TO HAVE CARRY-ON EFFECTS IN FUTURE QUARTERS. THE ACTU HAS MADE IT CLEAR THAT IN THE FORTHCOMING HEARINGS IT WILL PRESS FOR COMPLETE FLOW-ON OF THE 2.5 PCT. CPI INCREASE, WHILE THE GOVERNMENT HAS MADE IT EQUALLY CLEAR THAT IT WILL SEEK THE SAME SORT OF "PLATEAU" INCREASES GRANTED IN THE MOST RECENT HEARINGS. THE CAC HAS INDICATED THAT IT WILL RETAIN AN OPEN MIND ON THE QUESTION IN FUTURE HEARINGS PENDING A

PARLIAMENTARY REDEFINITION OF ITS TERMS OF REFERENCE,  
WHICH IS NOT LIKELY TO BE PASSED UNTIL WELL INTO THE  
SPRING SESSION. PERCIVAL

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